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GRACE HOUSE OF NEW ORLEANS, INC.

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

JUNE 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-22-06

GRACE HOUSE OF NEW ORLEANS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grace House of New Orleans, Inc.

I have audited the accompanying statement of financial position of Grace House of New Orleans, Inc. (a non-profit corporation) as of June 30, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Corporation's 2005 financial statements and, in my report dated August 15, 2005, I expressed an unqualified opinion on these financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grace House of New Orleans, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated October 12, 2006, on my consideration of Grace House of New Orleans, Inc.'s internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Grace House of New Orleans, Inc. taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New Orleans, Louisiana
October 12, 2006

Justin J. Scanlan, C.P.A.

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2006

ASSETS		TOTAL MEMORANDUM ONLY <u>JUNE 30, 2005</u>
Cash	\$ 116,307	\$ 58,201
Receivables		
Grants (Notes A4 and B)	34,967	95,288
Other	194	1,694
Unconditional promise to give	-	42,292
Property, building and equipment-at cost (Notes A5 and D)	783,737	816,999
Prepaid expenses and deposits	<u>10,032</u>	<u>14,463</u>
Total assets	<u>\$ 945,237</u>	<u>\$ 1,028,937</u>
LIABILITIES AND NET ASSETS		
Notes payable (Note D)	\$ 257,549	\$ 269,383
Accounts payable and accrued liabilities	32,531	17,992
Due to Bridge House, Inc.	<u>100,000</u>	<u>-</u>
Total liabilities	390,080	287,375
Net assets		
Unrestricted	515,741	688,370
Temporarily restricted	<u>39,416</u>	<u>53,192</u>
Total net assets	<u>555,157</u>	<u>741,562</u>
Total liabilities and net assets	<u>\$ 945,237</u>	<u>\$ 1,028,937</u>

The accompanying notes are an integral part of this financial statement.

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>TOTAL Memorandum Only For the year ended June 30, 2005</u>
REVENUE				
United Way	\$ 3,961	\$ -	\$ 3,961	\$ 47,643
Contributions	16,813	28,516	45,329	95,390
Government grants (Note E)	-	156,964	156,964	568,763
Fund raising	2,180	-	2,180	37,145
Program service fees	5,053	-	5,053	15,171
Other revenue	38,023	-	38,023	26,672
Net assets released from restrictions	<u>199,256</u>	<u>< 199,256 ></u>	<u>-</u>	<u>-</u>
Total revenues	<u>265,286</u>	<u>< 13,776 ></u>	<u>251,510</u>	<u>790,784</u>
EXPENSES				
Program services				
Substance abuse	315,812	-	315,812	527,255
Re-entry	26,826	-	26,826	78,414
Supportive services				
Management and general	82,563	-	82,563	123,963
Fundraising	<u>12,714</u>	<u>-</u>	<u>12,714</u>	<u>24,052</u>
Total expenses	<u>437,915</u>	<u>-</u>	<u>437,915</u>	<u>753,684</u>
Increase <decrease> in net assets	< 172,629 >	< 13,776 >	< 186,405 >	37,100
Net assets, beginning of year	<u>688,370</u>	<u>53,192</u>	<u>741,562</u>	<u>704,462</u>
Net assets, end of year	<u>\$ 515,741</u>	<u>\$ 39,416</u>	<u>\$ 555,157</u>	<u>\$ 741,562</u>

The accompanying notes are an integral part of this financial statement.

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2006

Increase <decrease> in cash and cash equivalents		
Cash flows from operating activities:		
Decrease in net assets		\$ <186,405>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 33,262	
Changes in assets and liabilities:		
Decrease in grants receivable	60,321	
Decrease in other receivable	1,500	
Decrease in unconditional promise to give	42,292	
Decrease in prepaid expenses and deposits	4,431	
Increase in accounts payable and accrued liabilities	14,539	
Increase in Due to Bridge House, Inc.	<u>100,000</u>	<u>256,345</u>
Net cash provided by operating activities		<u>69,940</u>
Cash flows from financing activities:		
Principal payments on notes payable		<u>< 11,834></u>
Net cash used in financing activities		<u>< 11,834></u>
Net increase in cash and cash equivalents		58,106
Cash and cash equivalents, beginning of year		<u>58,201</u>
Cash and cash equivalents, end of year		<u>\$ 116,307</u>

The accompanying notes are an integral part of this financial statement.

GRACE HOUSE OF NEW ORLEANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2006

	<u>Program Services</u>		<u>Supportive Services</u>		<u>Total</u>	<u>Memorandum Only</u> <u>For the year</u> <u>Ended</u> <u>June 30, 2005</u>
		<u>Management And General</u>	<u>Fund Raising</u>	<u>Total</u>		
	<u>Substance Abuse</u>	<u>Re-Entry</u>				
Compensation expenses	\$ 181,680	\$ 17,660	\$ 37,262	\$ 11,216	\$ 247,818	\$ 416,624
Occupancy	33,988	8,828	3,545	869	47,230	58,316
Travel	496	-	88	-	584	4,144
Specific assistance	25,370	338	-	-	25,708	133,758
Other direct program expenses	46,863	-	35,821	629	83,313	110,584
Total expenses before depreciation	288,397	26,826	76,716	12,714	404,653	723,426
Depreciation	27,415	-	5,847	-	33,262	30,258
Total expenses	\$ 315,812	\$ 26,826	\$ 82,563	\$ 12,714	\$ 437,915	\$ 753,684

The accompanying notes are an integral part of this financial statement.

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

Grace House of New Orleans, Inc. is a non-profit corporation providing long-term residential treatment for alcoholic and chemically dependent women.

2. Presentation of Financial Statements

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations". Accordingly, the net assets of the corporation present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There are no permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is earned in accordance with approved contracts.

4. Receivables

The corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

5. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized when the acquisition cost exceeds \$5,000. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. The depreciation expense for the year ended June 30, 2006 totaled \$33,262.

GRACE HOUSE OF NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all demand deposits and investments with original maturities of three months or less to be cash equivalents.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

8. Fair Values of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

9. Functional allocation of expense

The expenses of providing the program and other activities have been summarized on a functional basis in the statement of functional expenses. Certain of those expenses have been allocated among the program and supporting services benefited based on estimates by management of the costs involved.

10. Total Columns - Overview

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B - GRANTS RECEIVABLE

Grants receivable at June 30, 2006 consist of the following:

Unity for the Homeless, Inc.	\$ 9,037
Metropolitan Human Services District	<u>25,930</u>
	<u>\$ 34,967</u>

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE C – PROPERTY, BUILDING, AND EQUIPMENT

Property, building, and equipment at June 30, 2006 consists of the following:

Building	\$ 305,442
Building improvements	526,730
Equipment	53,736
Furniture and Fixtures	6,579
Transportation equipment	<u>20,141</u>
	912,628
Less accumulated depreciation	<u><253,991></u>
	658,637
Land	<u>125,100</u>
	<u>\$ 783,737</u>

NOTE D – NOTES PAYABLE

Notes payable at June 30, 2006 consist of the following:

Note payable to the bank, interest rate at 6.5%, monthly payments of \$2,262, including interest, final payment (balloon payment) due October, 2009. Secured by land, building and building costing \$957,272.

\$ 242,199

Note payable to finance company, interest rate at 7%, monthly payments of \$409, including interest, final payment due February, 2010. Secured by transportation equipment costing \$20,141.

15,350
\$ 257,549

The aggregate maturities of the notes payable consist of the following:

Year ended <u>June 30,</u>	
2007	\$ 15,815
2008	16,907
2009	18,074
2010	<u>206,753</u>
	<u>\$ 257,549</u>

The interest expense for the year ended June 30, 2006 totaled \$16,971.

GRACE HOUSE OF NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE E – SUMMARY OF FUNDING

Grace House of New Orleans, Inc.'s funding for grants and contracts consist of the following:

<u>Governmental</u>	<u>Grants</u>	<u>Period</u>	<u>Grant Award</u>	<u>Revenue Recognized</u>
Metropolitan Human Services District				
	Residential Treatment Services	7/1/05-6/30/06	\$ 147,825	\$ 57,105
	Half-Way House Services	7/1/05-6/30/06	54,750	10,225
	TANF Residential Treatment Services	7/1/05-6/30/06	120,450	46,746
U. S. Department of Housing and Urban Development				
	Supportive Housing Program	10/1/03-9/30/05	565,771	18,402
City of New Orleans				
	Emergency Shelter Grant-ESG20E	1/1/05-6/30/06	35,000	3,011
United Way				
	Emergency Food Shelter Program	1/1/06-12/31/06	9,383	4,692
Unity for the Homeless, Inc.				
	Youth/Substance Abuse	4/1/05-3/31/06	36,146	5,997
	Youth/Substance Abuse	4/1/06-3/31/07	36,146	9,036
	Outreach	4/1/05-3/31/06	10,500	1,750
				<u>\$ 156,964</u>
Total government grants				

NOTE F – INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE G – CASH FLOW INFORMATION

For the year ended June 30, 2006, the corporation paid interest in the amount of \$16,971.

NOTE H – BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

GRACE HOUSE OF NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE I – ECONOMIC DEPENDENCY

The Corporation receives a majority of its revenue from funds provided through grants administered by the State of Louisiana and the City of New Orleans. The grant amounts are appropriated each year by the federal government. If significant budget cuts are effected at the federal level, the amount of the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the corporation will receive in the next fiscal year.

The Corporation is supported primarily through government grants. Approximately 62% of the corporation's support for the year ended June 30, 2006 came from these grants.

NOTE J – EVENT SUBSEQUENT TO THE DATE OF AUDITOR'S REPORT

Effective September 21, 2006, Bridge House, Inc. approved the merger with Grace House of New Orleans, Inc. All assets and liabilities were transferred to Bridge House, Inc. as of the effective date of merger.

SUPPLEMENTAL INFORMATION

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF ACTIVITIES BY PROGRAM

For the year ended June 30, 2006

	<u>Program Services</u>			
	<u>Agency Total</u>	<u>Supporting Services</u>	<u>Substance Abuse</u>	<u>Re-Entry</u>
REVENUE				
Board generated self support	\$ 45,803	\$ 34,352	\$ 8,016	\$ 3,435
Client generated self support	7,201	600	5,149	1,452
Government grants/contracts	156,964	-	141,268	15,696
Other revenue	<u>21,778</u>	<u>21,778</u>	-	-
Total self generated revenue	231,746	56,730	154,433	20,583
United Way designations	3,961	-	3,763	198
CFC Designations	<u>1,706</u>	<u>-</u>	<u>1,467</u>	<u>239</u>
Total revenue	237,413	56,730	159,663	21,020
United Way allocation	<u>14,097</u>	<u>-</u>	<u>9,586</u>	<u>4,511</u>
Grand total revenue	<u>251,510</u>	<u>56,730</u>	<u>169,249</u>	<u>25,531</u>
EXPENSES				
Compensation expenses	247,818	48,478	181,680	17,660
Occupancy expenses	47,230	4,414	33,988	8,828
Travel and transportation expenses	584	88	496	-
Specific assistance	25,708	-	25,370	338
Other direct programs/support expenses	<u>83,313</u>	<u>36,450</u>	<u>46,863</u>	<u>-</u>
Total expenses	<u>404,653</u>	<u>89,430</u>	<u>288,397</u>	<u>26,826</u>
Increase <decrease> in net assets	<u>\$ <153,143></u>	<u>\$ <32,700></u>	<u>\$ <119,148></u>	<u>\$ <1,292></u>
Depreciation	<u>\$ 33,262</u>	<u>\$ 5,847</u>	<u>\$ 27,415</u>	<u>\$ -</u>

Note:

Presentation of Financial Statements

The financial statement is presented in the Functional Budget Spreadsheet format required by United Way for the year ended June 30, 2006. The United Way allocation represents funds awarded for the period July 1, 2005 through June 30, 2006.

GRACE HOUSE OF NEW ORLEANS, INC.
STATEMENT OF ACTIVITIES - EMERGENCY SHELTER GRANT PROGRAM
For the year ended June 30, 2006

	Grant ESG-20 July 1, 2005 through <u>December 31, 2005</u>
Revenues	
Grant appropriations	\$ 3,011
Expenses	
Repairs and maintenance	67
Inspections	150
Seciurity	240
Utilities	2,043
Household supplies	<u>511</u>
Total expenses	<u>3,011</u>
Increase in net assets	<u><u>\$ -</u></u>

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Grace House of New Orleans, Inc.

I have audited the financial statements of Grace House of New Orleans, Inc. (non-profit corporation) as of and for the year ended June 30, 2006, and have issued my report thereon dated October 12, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

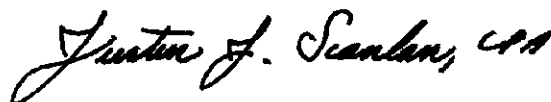
Internal Control Over Financial Reporting

In planning and performing my audit, I considered Grace House of New Orleans, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grace House of New Orleans, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant, agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



New Orleans, Louisiana
October 12, 2006